

**EVALUATION OF THE CERTIFICATE OF NEED APPLICATION  
SUBMITTED ON BEHALF OF NORTHWEST HEALTHCARE ALLIANCE,  
DBA ASSURED HOME HEALTH, HOSPICE, HOME CARE AND MEDICAL  
STAFFING, PROPOSING TO ESTABLISH A MEDICARE CERTIFIED /  
MEDICAID ELIGIBLE HOME HEALTH AGENCY TO SERVE THE  
RESIDENTS OF COWLITZ AND WAHKIAKUM COUNTIES**

**PROJECT DESCRIPTION**

Northwest Healthcare Alliance (NWHHA) is proposing to establish a Medicare certified/Medicaid eligible home health agency to serve the residents of Cowlitz and Wahkiakum counties. The applicant operates in Washington as Assured Home Health and Hospice.

Assured is a Washington corporation that currently operates seven health care facilities in Washington<sup>1</sup>. Northwest Healthcare Alliance is a subsidiary of Assured Capital Partners, Inc., a Nevada corporation.

Currently, Assured provides home health services in Lewis, Mason, Thurston, Clallam, Jefferson, Grays Harbor and Pacific County. The Centralia office is designated as the main office for the applicant's home health and hospice operations in Lewis, Mason, Grays Harbor, Pacific and Thurston Counties. The office site in Olympia, Washington also serves as support for Assured's Home Care and Medical Staffing. Assured provides hospice services in five counties. [Application, p. 10]

This project proposes to establish a Medicare certified/Medicaid eligible home health agency to serve the residents of Cowlitz and Wahkiakum counties to be known as Assured Home Health Services of Cowlitz and Wahkiakum counties. The applicant proposes to provide a full range of home health services including home health nursing, home health aide, medical social work, occupational therapy, physical therapy, speech therapy, IV therapy, respite care and physician services. [Application, p. 15]

Assured expects to be operational within two months after project approval. Assured's projections for service in the combined counties cite 64 unduplicated patients in partial year 2007, 176 patients in 2008 and 267 patients for 2009. [Application, p. 34]

The estimated capital expenditure for the establishment of the home health agency is reported to be \$43,755. [Application, p. 2]

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<sup>1</sup> Assured Home Health and Hospice in Centralia, Olympia and Morton; Assured Home Care and Medical Staffing in Olympia; and Assured Hospice in Port Haddock, Sequim, and Forks.

**Table 1**  
**Capital Expenditures**

<b>Item</b>	<b>Cost</b>	<b>% of Cost</b>
Fees: Consultant & CON	\$26,155	59.78
Furniture & Office Improvements	\$4,400	10.06
Equipment	\$6,200	14.17
Office Operation	\$7,000	15.99
<b>Total</b>	<b>\$43,755</b>	<b>100.00%</b>

The proposed location of Assured's home health agency is 729 Vandercook Way in Longview, Washington. A lease for the cited facility was commenced on March 1, 2006 and is valid through February 28, 2009. [Application, p. 14]

The anticipated date to begin providing home health services in Cowlitz and Wahkiakum counties is within two months after a Certificate of Need is issued, or approximately April, 2006. [Application, page 17]

#### **APPLICABILITY OF CERTIFICATE OF NEED LAW**

This project is subject to Certificate of Need review as the establishment of a new health care facility under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code (WAC) 246-310-020(1)(a).

A Medicare certified home health agency is also Medicaid eligible, therefore, the term "Medicaid eligible" will not be repeated throughout this analysis. Those agencies that are state licensed but not Medicare certified will be referred to as "licensed only."

#### **CRITERIA EVALUATION**

To obtain Certificate of Need approval, Assured must demonstrate compliance with the criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); 246-310-240 (cost containment), and the State Health Plan, Long Term Performance Standards, (4)(d) (the home health agency projections methodology and standards).<sup>2</sup>

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<sup>2</sup> Each criterion contains certain sub-criteria. The following sub-criteria are not discussed in this evaluation because they are not relevant to this project: WAC 246-310-210(3), (4), (5), and (6); and WAC 246-310-240 (2), (3).

## **APPLICATION CHRONOLOGY**

August 11, 2006	Letter of Intent Submitted
September 11, 2006	Application Submitted
September 12, 2006 through September 18, 2006	Department's Pre-Review Activities and 1 <sup>st</sup> screening activities and responses
September 25, 2006	Department Begins Review of the Application
October 26, 2006	Public Hearing Conducted/End of Public Comment
November 8, 2006	Rebuttal documents received at Department
December 26, 2006	Department's Anticipated Decision Date
December 29, 2006	Department Decision Date

## **AFFECTED PERSONS**

During the review of this project, two entities sought and received affected person status under WAC 246-310-010:

- Community Home Health & Hospice, a Medicare certified home health agency providing services to Cowlitz and Wahkiakum counties; and
- Duncan Cruickshank of the Columbia View Care Center of Cathlamet, Washington.

## **SOURCE INFORMATION REVIEWED**

- Assured's Certificate of Need Application, received September 11, 2006
- Assured's supplemental information, received September 18, 2006
- Public comments received during the course of the review
- Assured's Web Site: [www.assurednw.com](http://www.assurednw.com)
- Public comments received during the October 26, 2006 Public Hearing
- Assured's Rebuttal comments received on November 8, 2006
- Written Rebuttal received from Community Home Health on October 26, 2006
- Licensing data obtained from the Dept. of Health's Office of Health Care Survey
- Medical Quality Assurance Commission Credentialing Records
- Office of Community and Rural Health reports
- Data obtained from Medicare's Home Health Compare
- Data obtained from the Internet of Health Care Providers
- Washington State Health Plan-Home Health Standards
- Certificate of Need historical files

## **CONCLUSION**

For the reasons stated in this evaluation, Assured Home Health, Hospice, Home Care and Medical Staffing's proposal to establish a Medicare certified/Medicaid eligible home health agency in Cowlitz County to be known as Assured Home Health Services of Cowlitz and Wahkiakum Counties is consistent with applicable criteria of the Certificate of Need Program, and a Certificate of Need is approved.

The approved capital costs for this project are \$43,755.00.

#### **A. Need (WAC 246-310-210)**

Based on the source reviewed, the department determines that Assured's application is consistent with the applicable need criteria in WAC 246-310-210.

- (1) The population served or to be served has need for the project and other services and facilities of the type proposed are not or will not be sufficiently available or accessible to meet that need.

To determine the numeric need for home health agencies in Cowlitz and Wahkiakum counties, the applicant used the Interim Home Health Agency Need Estimation Method (Washington State Health Plan, Volume II, page B-35). Using the Washington State Health Plan (SHP), the applicant determined the number of patient visits for the third full year of operation (year end 2009) to total of 28,239 visits. [Application, p. 30] The applicant's calculations for year-end 2009 identified an unmet need of three<sup>3</sup> home health agencies for the service area. [Application, p. 30]

The State Health Plan identifies the home health planning areas to be used in determining population requirements for home health services. Health Planning Region II is divided in the following divisions: Grays Harbor/Pacific Counties, Thurston/Mason Counties, Lewis County, Clark/Skamania/Klickitat Counties and Cowlitz/Wahkiakum Counties. Currently Cowlitz/Wahkiakum counties are served by two approved Medicare certified home health agencies: Community Home Health & Hospice and Pediatric Associates of America (PSA)<sup>4</sup>. [CN Historical Files]

Community Home Health & Hospice (CHHH) is a local non-profit home health and hospice agency that employs 23 FTEs and has an average daily census of approximately 205 patients. Pediatric Services of America's (PSA) services are limited. PSA provides only nursing and social work and its main focus is pediatric patients. However, PSA has Medicare certification and a review of CN historical files demonstrates PSA can expand to provide home health services to adult patients as well as pediatric. Therefore, for the purposes of this evaluation, the need analysis will include two existing Medicare certified home health agencies: CHHH and PSA. [CN historical files; CN provider surveys]

Assured provided a need methodology as outlined in the SHP. Assured calculated need based upon the population age cohorts of less than 65, 65 to 79 years and 80+ years of age. Assured then used the appropriate multipliers for each cohort and divided the projected totals for the combined service area by 10,000. The applicant summarizes the computations for the year 2009 by showing 28,239 projected visits, yielding a projected need of 2.8 agencies.

#### Modified Methodology

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<sup>3</sup> Rounded from 2.8.

<sup>4</sup> Previously known as ARO. Initially ARO received a CN to provide Medicare Certified home health services in Clark, Cowlitz and Wahkiakum counties. The Clark county office was conditionally approved to provide only pediatric services. Subsequently ARO successfully removed the condition from Clark county and was issued a CN to provide services to all populations.

The department also utilized the SHP as guidance for projecting the number of home health agencies needed in the service area. The SHP provides a four-step methodology for projecting the number of home health agencies needed in a county.

Step 1 of the methodology is illustrated in the Tables 2a-c below as applied to Cowlitz and Wahkiakum counties, separately and combined, demonstrating the projected population for years 2006-2010. [Office of Fiscal Management – Intermediate figures]

**Table 2a**  
**Cowlitz County Population**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Age Group						
0-64	87,168	88,675	90,181	91,688	93,194	94,496
65-79	9,475	9,735	9,996	10,256	10,516	11,033
80+	3,948	4,009	4,071	4,132	4,193	4,226
<b>Total</b>	<b>100,591</b>	<b>102,419</b>	<b>104,248</b>	<b>106,076</b>	<b>107,903</b>	<b>109,755</b>

**Table 2b**  
**Wahkiakum County Population**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Age Group						
0-64	3,129	3,157	3,184	3,212	3,240	3,254
65-79	610	629	649	668	688	714
80+	220	225	231	236	241	248
<b>Total</b>	<b>3,959</b>	<b>4,011</b>	<b>4,064</b>	<b>4,116</b>	<b>4,169</b>	<b>4,216</b>

**Table 2c**  
**Combined Service Area Populations**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Age Group						
0-64	90,297	91,832	93,365	94,900	96,434	97,750
65-79	10,085	10,364	10,645	10,924	11,204	11,747
80+	4,168	4,234	4,302	4,368	4,434	4,474
<b>Total</b>	<b>104,550</b>	<b>106,430</b>	<b>108,312</b>	<b>110,192</b>	<b>112,072</b>	<b>113,971</b>

Step 2 involves the multiplication of the use rate by the projected population to determine the total number of patients projected to obtain home health services in the counties. The use rate is also found in the State Health Plan and quantifies the number of patients by age group. [State Health Plan, p. 35] The chart below illustrates the SHP's use by age group.

**Table 3**  
**Use Rate Multipliers**

Age Group	Use Rate
0-64	0.005
65-79	0.044
80+	0.183

Using the rate shown above and rounding the numbers to the nearest whole number, the calculations of step 2 are summarized by county in the Tables 4a-c below.

**Table 4a**  
**Cowlitz County Use Rate**

Age Group	Use Rate	2006	2007	2008	2009	2010	2011
0-64	0.005	436	443	451	458	466	472
65-79	0.044	417	428	440	451	463	485
80+	0.183	722	734	745	756	767	773
<b>Total</b>		<b>1,575</b>	<b>1,605</b>	<b>1,636</b>	<b>1,665</b>	<b>1,696</b>	<b>1,730</b>

**Table 4b**  
**Wahkiakum County Use Rate**

Age Group	Use Rate	2006	2007	2008	2009	2010	2011
0-64	0.005	16	16	16	16	16	16
65-79	0.044	27	28	29	29	30	31
80+	0.183	40	41	42	43	44	45
<b>Total</b>		<b>83</b>	<b>85</b>	<b>87</b>	<b>88</b>	<b>90</b>	<b>92</b>

**Table 4c**  
**Combined Service Area Use Rates**

Age Group	Use Rate	2006	2007	2008	2009	2010	2011
0-64	0.005	451	459	467	474	482	488
65-79	0.044	444	456	468	481	493	516
80+	0.183	763	775	787	799	811	818
<b>Total</b>		<b>1,658</b>	<b>1,690</b>	<b>1,722</b>	<b>1,754</b>	<b>1,786</b>	<b>1,822</b>

Step 3 requires multiplying the total number of patients from step 2 above, by the projected number of visits per patient, as identified in the State Health Plan. A modification in the application of the 1987 SHP method maintains a constant use rate by age category of 21 visits per patient. Therefore, using the 21 visits per patient, the results of the calculations are shown in Tables 5a-c below. [Department's Methodology, based on the State Health Plan]

**Table 5a**  
**Cowlitz County Use Rate**

	2006	2007	2008	2009	2010	2011
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Total # of Patients	<b>1,575</b>	<b>1,605</b>	<b>1,636</b>	<b>1,665</b>	<b>1,696</b>	<b>1,731</b>
# of Visits	21	21	21	21	21	21
<b>Total # of Patient Visits</b>	<b>33,075</b>	<b>33,705</b>	<b>34,356</b>	<b>34,965</b>	<b>35,616</b>	<b>36,351</b>

**Table 5b**  
**Wahkiakum County Use Rate**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Total # of Patients	<b>83</b>	<b>85</b>	<b>87</b>	<b>89</b>	<b>91</b>	<b>93</b>
# of Visits	21	21	21	21	21	21
<b>Total # of Patient Visits</b>	<b>1,743</b>	<b>1,785</b>	<b>1,827</b>	<b>1,869</b>	<b>1,911</b>	<b>1,953</b>

**Table 5c**  
**Combined Service Area Use Rates**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Total # of Patients	<b>1,658</b>	<b>1,690</b>	<b>1,723</b>	<b>1,755</b>	<b>1,787</b>	<b>1,824</b>
# of Visits	21	21	21	21	21	21
<b>Total # of Patient Visits</b>	<b>34,818</b>	<b>34,490</b>	<b>36,183</b>	<b>36,855</b>	<b>37,527</b>	<b>38,304</b>

Step 4, the final step divides the number of visits by 10,000, thereby allowing 10,000 visits as the target minimum operating volume for a home health agency. The results of those calculations determine the projected number of home health agencies for the projected population. From this figure, the number of existing Medicare certified home health agencies is subtracted. The result of this calculation is the net need for the service area. Tables 6a-c summarizes this calculation for the service area based on the modified SHP.

**Table 6a**  
**Cowlitz County Agency Need**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Total # of Patient Visits</b>	<b>33,075</b>	<b>33,705</b>	<b>34,356</b>	<b>34,965</b>	<b>35,616</b>	<b>36,351</b>
<i><b>Quotient of 10,000</b></i>	<i><b>3.3</b></i>	<i><b>3.4</b></i>	<i><b>3.4</b></i>	<i><b>3.5</b></i>	<i><b>3.6</b></i>	<i><b>3.6</b></i>

**Table 6b**  
**Wahkiakum County Agency Need**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Total # of Patient Visits</b>	<b>1,743</b>	<b>1,785</b>	<b>1,827</b>	<b>1,869</b>	<b>1,911</b>	<b>1,953</b>
<i><b>Quotient of 10,000</b></i>	<i><b>0.2</b></i>	<i><b>0.2</b></i>	<i><b>0.2</b></i>	<i><b>0.2</b></i>	<i><b>0.2</b></i>	<i><b>0.2</b></i>

**Table 6c**  
**Combined Service Area Agency Need**

	2006	2007	2008	2009	2010	2011
<b>Total # of Patient Visits</b>	<b>34,818</b>	<b>34,125</b>	<b>36,162</b>	<b>36,855</b>	<b>37,572</b>	<b>38,304</b>
<i>Quotient of 10,000</i>	3.5	3.5	3.6	3.7	3.8	3.8

Using the modified SHP results in a maximum of three Medicare certified home health agencies in the Cowlitz/Wahkiakum service area for year 2007, increasing to just under 4 agencies through the end of year 2011. Once the existing number of Medicare certified home health agencies (2) is subtracted from the maximum in year 2007, the result is a capacity to add not more than one additional Medicare certified home health agency in the service area of Cowlitz and Wahkiakum counties.

#### State Health Plan Methodology

The applicant followed the methodology for Steps 1 and 2 outlined above without deviation. The applicant then followed the projection method set forth in the State Health Plan. The Washington State Health plan was sunset in 1989 but still serves as a basis for the formation of current Methodology criteria. This process utilizes differing multipliers for each of the three age groupings. [State Health Plan, B-35]

The department also prepared a methodology based upon the SHP method using the results from the first two steps of this need calculation and then applying the appropriate age group multiplier. The results for SHP steps 3 and 4 are combined and shown in Tables 7a-c below.

**Table 7a**  
**Cowlitz County – SHP Projected Need**

<b><u>Step 3</u></b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
0-64	436	443	451	458	466	472
Multiplier	10	10	10	10	10	10
<b>Subtotal 0-64</b>	<b>4,360</b>	<b>4,430</b>	<b>4,510</b>	<b>4,580</b>	<b>4,660</b>	<b>4,720</b>
65-79	417	428	440	451	463	485
Multiplier	14	14	14	14	14	14
<b>Subtotal 65-79</b>	<b>5,838</b>	<b>5,992</b>	<b>6,160</b>	<b>6,314</b>	<b>6,482</b>	<b>4,790</b>
80+	722	734	745	756	767	773
Multiplier	21	21	21	21	21	21
<b>Subtotal 80+</b>	<b>15,162</b>	<b>15,414</b>	<b>15,645</b>	<b>15,876</b>	<b>16,107</b>	<b>16,233</b>
<b>Total</b>	<b>25,360</b>	<b>25,836</b>	<b>26,315</b>	<b>26,770</b>	<b>27,249</b>	<b>27,743</b>
<b><u>Step 4</u></b>						
Quotient of 10,000	2.5	2.6	2.6	2.7	2.7	2.8

**Table 7b**  
**Wahkiakum County – SHP Projected Need**



<b><u>Step 3</u></b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
0-64	16	16	16	16	16	16
Multiplier	10	10	10	10	10	10
<b>Subtotal 0-64</b>	<b>160</b>	<b>160</b>	<b>160</b>	<b>160</b>	<b>160</b>	<b>160</b>
65-79	27	28	29	29	30	31
Multiplier	14	14	14	14	14	14
<b>Subtotal 65-79</b>	<b>378</b>	<b>392</b>	<b>106</b>	<b>406</b>	<b>420</b>	<b>434</b>
80+	40	41	42	43	44	45
Multiplier	21	21	21	21	21	21
<b>Subtotal 80+</b>	<b>840</b>	<b>861</b>	<b>882</b>	<b>903</b>	<b>924</b>	<b>945</b>
<b>Total</b>	<b>1,378</b>	<b>1,413</b>	<b>1,448</b>	<b>1,469</b>	<b>1,504</b>	<b>1,539</b>
<b><u>Step 4</u></b>						
Quotient of 10,000	0.1	0.1	0.1	0.1	0.2	0.2

**Table 7c**  
**Combined Service Area – SHP Projected Need**

<b><u>Step 3</u></b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
0-64	451	459	467	474	482	488
Multiplier	10	10	10	10	10	10
<b>Subtotal 0-64</b>	<b>4,515</b>	<b>4,590</b>	<b>4,670</b>	<b>4,740</b>	<b>4,820</b>	<b>4,880</b>
65-79	444	456	469	480	493	516
Multiplier	14	14	14	14	14	14
<b>Subtotal 65-79</b>	<b>6,216</b>	<b>6,384</b>	<b>6,566</b>	<b>6,720</b>	<b>6,902</b>	<b>7,224</b>
80+	762	775	787	799	811	818
Multiplier	21	21	21	21	21	21
<b>Subtotal 80+</b>	<b>16,022</b>	<b>16,275</b>	<b>16,527</b>	<b>16,779</b>	<b>17,031</b>	<b>17,178</b>
<b>Total</b>	<b>26,738</b>	<b>27,249</b>	<b>27,763</b>	<b>28,239</b>	<b>28,753</b>	<b>29,282</b>
<b><u>Step 4</u></b>						
Quotient of 10,000	2.6	2.7	2.7	2.8	2.9	3.0

Using the SHP the need calculations result in a small capacity for additional Medicare certified home health agencies in the Cowlitz/Wahkiakum service area for year 2006, increasing modestly through the end of year 2011. Once again, when the existing number of Medicare certified home health agencies (2) is subtracted from the maximum needed,

the result is a need of up to one additional Medicare certified home health agency in the service area of Cowlitz and Wahkiakum counties.

The SHP allows for approval when a planning area lacks competition or consumer choice in service options. [SHP, p. B-35] In either calculation procedure, a small capacity is shown within the applicant's proposed service area. As stated earlier, with the focus of PSA being pediatric care, the non-pediatric populations of the service area currently have one realistic option for their choice of care regarding Home Health services. Therefore, approval of this project would permit non-pediatric patients a choice of provider.

To assist in determining the reasonableness of the applicant's projections, in October 2006, the department requested utilization information from the existing home health providers in both Cowlitz and Wahkiakum counties. The department received information from the two existing providers in the service area: Pediatric Services of America, Inc. and Community Home Health & Hospice, a affected person for this project.

CHHH reported that they are currently operating at a rate of 93% of capacity. PSA stated that the agency cites that they "have only had a few referrals" for their services. [PSA Survey Response]

Table 8 below outlines the projections the applicant anticipates in the service area. Assured projected out three years of service in terms of individual patients and calculated visits. CHHH reports that they currently average 13.38 visits per patient. [CHHH Home Health Survey]

**Table 8**  
**Assured Projections of Service**

	<b>2007</b>	<b>2008</b>	<b>2009</b>
Projected Patients	64	176	267
Projected Visits	1,022	2,777	4,236
<b>Avg. visits per patient</b>	<b>15.97</b>	<b>15.78</b>	<b>15.86</b>

Based upon these projections, the department also calculated the percent of market share that the applicant would capture if the projections cited materialized. Table 9 shows the market share forecast. The calculations operate with the assumption that, for the next three years, the current providers have no increase in the home health visits than that reported for 2005<sup>5</sup>.

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<sup>5</sup> Visits cited as reported on Home Health Survey responses from CHHH and PSA

**Table 9**  
**Projected Market Share**

	2005		2007	2008	2009
PSA Visits	401		401	401	401
CHHH Visits	25,479		25,479	25,479	25,479
Total	25,880		25,880	25,880	25,880
Assured Projections			1,022	2,777	4,236
<b>Share of Market</b>			<b>3.9%</b>	<b>10.7%</b>	<b>16.4%</b>

Based on the table above, the Department concludes Assured's projections are reasonable.

The department also received written comments and testimony from the community regarding this project. Much of the information provided was in opposition to an additional Medicare certified home health agency in the service area. Some community representatives and both existing providers state that an additional home health agency is not necessary because needs are currently being met by the existing home health agencies. [Public Hearing Record]

The applicant provided 13 letters of support for the project to provide balance to the comments received at the public hearing. Those supporting the project included area physicians and elected officials who cited the added choice for health services to the residents and the value of additional competition. [Application, Appendix 26]

The department concludes that the projections for the service are reasonable for Cowlitz/Wahkiakum counties.

Based on the information reviewed by the department, the department concludes that the addition of a Medicare certified home health agency in the service area is reasonable. This sub-criterion is met.

- (2) All residents of the service area, including low-income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly are likely to have adequate access to the proposed health service or services.

Assured indicates that it will provide services to all persons regardless of race, gender, ethnic origin, disability, life-circumstances, income, or ability to pay. [Application, p. 46]

The Admissions Policy provides the overall guiding principles of the facility as to the types of patients that are appropriate candidates to use the facility and any assurances regarding access to treatment. The document provided by Assured outlines the process and criteria that the home health agency will use to admit patients for treatment.

The department concludes the information contained in Assured's Admissions Policy identifies the types of patients that would be eligible for services at the home health agency and demonstrates Assured's policy to serve clients without regard to race, color, creed, national origin, religion, age, sex, sexual preference, and/or disability. [Application, Appendix 13]

Supplementing the applicant's policy is a close association with the Visiting Nurse Foundation in Centralia. This foundation has supported Assured's efforts to care for those with no funding source since 2001 [Application, p. 53] The applicant further stated that the provision of free care is not contingent upon the receipt of financial support from the Foundation.

To determine whether low-income patients would have access to home health agency services, the department uses the facility's Medicaid eligibility or contracting with Medicaid as the measure to make that determination. Assured's admissions policy identifies the continued service to Medicaid eligible patients and had included Medicaid reimbursements as a primary component of the applicant's projected revenues. [Application, p. 57 & Appendix 13] The department concludes that the applicant, as a Medicare certified/Medicaid eligible home health agency, ensures the department of compliance with both programs.

Based on the information above regarding Medicare, Medicaid and Charity Care policies the department concludes the applicant will provide the accessibility to home health services to all residents of Cowlitz and Wahkiakum counties. This sub-criterion is met.

**B. Financial Feasibility (WAC 246-310-220)**

Based on the source information reviewed, the department determines that the application is consistent with the applicable financial feasibility criteria in WAC 246-310-220.

If approved, Assured will be operational as a home health agency within sixty days after issuance of a Certificate of Need. [Application, p. 17] Under this timeline, 2008 will be the first full year of operation. All funding for the project will be provided from the net operating income and cash reserves of the applicant. [Application, Appendix. 14 & 16]

**(1) The immediate and long-range capital and operating costs of the project can be met.**

Using the financial information provided by Assured, Table 10a-c below illustrates the projected revenue, expenses and net income for partial year and the proceeding four years of operation of the proposed health agency. [Application, p. 51] Due to the projections showing only a minimal profit by the third full year of providing home health services, the department revised projections through 2011 for a more complete evaluation of the proposed project.

**Table 10a**  
**Cowlitz County – Projected Revenues**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Projected Patients	81	167	253	346	442
Projected Visits	969	2,632	4,016	5,450	6,929
<b>Avg. visits per patient</b>	<b>11.96</b>	<b>15.76</b>	<b>15.75</b>	<b>15.75</b>	<b>15.68</b>
Net Revenues	259,196	530,230	809,805	1,097,920	1,404,902
Total Operating Expenses	424,874	640,874	857,727	1,078,692	1,304,678
Income Tax	<b>(66,300)</b>	<b>(44,300)</b>	<b>(19,200)</b>	<b>7,700</b>	<b>40,100</b>
Total Expenses	358,574	596,574	838,527	1,086,392	1,344,778
Net Profit/Loss	(99,378)	(66,344)	(28,722)	11,528	60,124
Operating Rev. per Visit	200.62	201.46	201.64	201.45	202.76
Operating Expense per Visit	277.53	226.66	208.80	199.34	194.08
Net Profit per Visit	<b>(76.92)</b>	<b>(25.21)</b>	<b>(7.15)</b>	<b>2.12</b>	<b>8.68</b>

**Table 10b**  
**Wahkiakum County – Projected Revenues**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Projected Patients	4	9	14	19	25
Projected Visits	53	145	220	301	385
<b>Avg. visits per patient</b>	<b>13.25</b>	<b>16.11</b>	<b>15.71</b>	<b>15.84</b>	<b>15.40</b>
Net Revenues	13,491	29,221	44,951	61,992.	79,251
Total Operating Expenses	9,557	22,629	32,269	45,666	57,131
Income Tax	<b>1,600</b>	<b>2,600</b>	<b>5,100</b>	<b>6,500</b>	<b>8,800</b>
Total Expenses	11,157	25,229	37,369	52,1660	65,931
Net Profit/Loss	2,334	3,992	7,582	9,826	13,320
Operating Rev. per Visit	254.55	201.52	204.32	205.95	205.85
Operating Expense per Visit	210.51	173.99	169.86	173.31	171.25
Net Profit per Visit	<b>44.04</b>	<b>27.53</b>	<b>34.46</b>	<b>32.64</b>	<b>34.60</b>

**Table 10c**  
**Combined Service Area – Projected Revenues**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Projected Patients	85	176	269	365	467
Projected Visits	1,345	2,777	4,236	5,751	7,314
<b>Avg. visits per patient</b>	<b>15.82</b>	<b>15.78</b>	<b>15.75</b>	<b>15.76</b>	<b>15.66</b>
Net Revenues	272,687	559,451	854,756	1,159,912	1,484,153
Total Operating Expenses	434,431	663,503	889,996	1,124,358	1,361,809
Income Tax	<b>(64,700)</b>	<b>(41,700)</b>	<b>(14,100)</b>	<b>14,200</b>	<b>48,900</b>
Total Expenses	369,731	621,803	875,896	1,138,558	1,410,709
Net Profit/Loss	(97,044)	(62,352)	(21,140)	21,354	73,444
Operating Rev. per Visit	202.74	201.46	201.78	201.69	202.92
Operating Expense per Visit	274.89	223.91	206.77	197.98	192.88
Net Profit per Visit	<b>(72.15)</b>	<b>(22.45)</b>	<b>(4.99)</b>	<b>3.71</b>	<b>10.04</b>

If necessary, to offset the expenses during start up operations, Assured has received approval for the proposed project from the Assured Capital Partners, Inc. Board of Directors. [Application, Appendix 25] This authorization would allow the use of funds available in the Employee Stock Ownership Plan to offset the losses projected in the operations of the new facilities. According to audited reports supplied with the application, the initial funding was completed in April, 2004 with the final contribution amount totaling \$250,000. The applicant has allocated the amounts shown below. The effect upon the projected revenues is restated accordingly.

The ESOP will receive contributions after 2009 in Cowlitz County. Amounts are indicated in bold typeface and are not added into Net Profit/Loss Figure from Table 10a. Although, the ESOP will receive contributions beginning in the first year of home health services in Wahkiakum County. Amounts are indicated in bold typeface and are not added into Net Profit/Loss Figure from Table 10b. Accordingly, as a combined operation, the ESOP will receive contributions after 2009. Totals are indicated in bold typeface and are not added into Net Profit/Loss Figure from Table 10c. [Application, p. 51-52]

**Table 11a**  
**Cowlitz County – Supplementary ESOP Funding or Contribution**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>ESOP Capital/Contribution</b>	70,448	75,014	38,892	<b>958</b>	<b>46,952</b>
Net Profit/Loss	(28,930)	8,670	10,170	11,528	60,124
Operating Rev. per Visit	267.49	201.46	201.64	201.45	202.76
Operating Expense per Visit	370.05	226.66	208.80	199.34	194.08
Net Profit per Visit	<b>(76.92)</b>	<b>(25.21)</b>	<b>(7.15)</b>	<b>2.12</b>	<b>8.68</b>

**Table 11b**  
**Wahkiakum County – Supplementary ESOP Contribution**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>ESOP Contribution</b>	<b>1,924</b>	<b>3,622</b>	<b>6,972</b>	<b>9,396</b>	<b>12,710</b>
Net Profit/Loss	2,334	3,992	7,582	9,826	13,320
Operating Rev. per Visit	254.55	201.52	204.32	205.95	205.85
Operating Expense per Visit	210.51	173.99	169.86	173.31	171.25
Net Profit per Visit	<b>44.04</b>	<b>27.53</b>	<b>34.46</b>	<b>32.64</b>	<b>34.60</b>

**Table 11c**  
**Combined Service Area – Supplementary ESOP Funding or Contribution**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>ESOP Capital/Contribution</b>	68,524	71,392	31,920	<b>10,354</b>	<b>59,664</b>
Net Profit/Loss	(28,520)	(62,352)	(21,140)	21,354	73,444
Operating Rev. per Visit	253.69	227.17	209.32	201.69	202.92
Operating Expense per Visit	274.89	223.91	206.77	197.98	192.88
Net Profit per Visit	<b>(21.20)</b>	<b>3.26</b>	<b>2.54</b>	<b>3.71</b>	<b>10.04</b>

With the additional revenues provided through the ESOP, Assured can show a profit by the second year of operation. The total projected ESOP contributions for the first three year period will total \$184,354. Through the forecast period cited by the applicant, the ESOP will see a potential for contributions totaling \$82,536. This will lead to balance of \$101,818 due to the plan in accordance to the vesting schedules and fiduciary obligations outlined in the ESOP agreement.

Based upon the above information, the department concludes that the immediate and long-range capital and operating costs of the project can be met. This sub-criterion is met.

- (2) The costs of the project, including any construction costs, will probably not result in an unreasonable impact on the costs and charges for health services.

As stated earlier, the estimated capital expenditure for the establishment of a home health agency to serve the residents of Cowlitz and Wahkiakum counties is \$43,755. The income projections in Tables 10 show a minimal profit in year 2010, the applicant provided documentation that the funding is available from the ESOP to offset the start up and operational costs of the new service area. Using the funds in the ESOP, the project would show a profit beginning in the first full year of operation

Additionally, the applicant states: “Assured’s charges for home health services will be equal to the prospective rates set by Medicare for home health services. The project will have no impact on the rates”. [Application, p. 50] The applicant identifies the sources of revenue from Medicare and Medicaid to total 90% of the home health agency’s reimbursement. [Application, p. 57] Upon review of Medicare Cost report data, the department concludes that the majority of revenue is dependent upon sources that are not reimbursed on a cost basis. Therefore, this project is not expected to have an unreasonable impact on costs and services. Therefore, this sub-criterion is met.

- 3) The project can be appropriately financed.

The total capital expenditure for this project is \$43,755, solely related to furniture and equipment necessary to establish a home health agency for Cowlitz and Wahkiakum counties as cited in Table 1.

As stated earlier in the evaluation, the applicant will provide financing for the project. To demonstrate the availability of funds for this project, the applicant provided audited financial statements for Assured Capital Partners, Inc. and Subsidiaries for years 2003 through 2005. [Application, Appendix 15] A review of the financial statements demonstrates the following year-end net income for Northwest Healthcare Alliance, Inc.

**Table 12**  
**Net Income - Northwest Healthcare Alliance, Inc.**

<b>Year</b>	<b>Year End Net Income</b>
2003	\$217,351 <sup>6</sup>
2004	\$183,995
2005	\$583,601

To demonstrate commitment to the proposed project, the applicant provided documentation that the funding is available from Assured Capital Partners, Inc.'s Board of Directors and provided a copy of a letter from the chairman, Mr. Richard Block, attesting to the support of the board for the proposed project. The letter states: "Projections indicate losses will be absorbed by the company for the first three years of operations." The authorization continues, "The financials of the company indicate the ability to withstand those projected losses, should they materialize." [Application, Appendix 25]

Home health agencies must have enough reserve funds to operate for approximately three months after becoming Medicare certified. In response, the applicant states, "Assured Home Health and Hospice has a provider number and receives payments from Medicare under the Periodic Interim Payment system...Assured's existing income from operations, its cash reserves and its lines of credit are adequate to cover the costs of operations during the short lag time between services and income." [Application, p. 67]

Based on the information presented, the department concludes that the applicant has the funds to appropriately finance this project. This sub-criterion is met.

### **C. Structure and Process (Quality) of Care (WAC 246-310-230)**

Based on the source information reviewed, the department determines that the applicant has met the structure and process (quality) of care criteria in WAC 246-310-230.

- (1) A sufficient supply of qualified staff for the project, including both health personnel and management personnel, are available or can be recruited.

Although the current project proposes to provide services to both Cowlitz and Wahkiakum counties, only one office will be established. Table 13a summarizes proposed FTEs for the home health agency in Cowlitz County.. [Application, Appendix 19]

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<sup>6</sup> The reported net income for 2003 was restated in the Audited report of 2004 to equal \$244,981



**Table 13a**  
**Cowlitz County – Staffing Requirements**

<b>Staff</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Skilled Nursing	0.79	1.61	2.46	3.34	4.24
Physical Therapy	0.43	0.88	1.34	1.82	2.31
Occupational Therapy	0.15	0.3	0.46	0.62	0.79
Speech Pathology	0.01	0.02	0.03	0.04	0.05
Medical Social Service	0.14	0.27	0.42	0.57	0.73
Home Health Aide	0.28	0.56	0.86	1.16	1.48
Office Staff	1.30	1.30	1.30	1.30	1.30
Director	1.00	1.00	1.00	1.00	1.00
Medical Director	0.01	0.01	0.01	0.01	0.01
Supervisor	1.00	1.00	1.00	1.00	1.00

In order to serve Wahkiakum County, Assured projects additional FTEs for direct patient care only. Table 13b shows the FTEs projected to be needed for Wahkiakum County.

**Table 13b**  
**Wahkiakum County – Staffing Requirements**

<b>Staff</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Skilled Nursing	0.03	0.08	0.11	0.16	0.20
Physical Therapy	0.01	0.04	0.06	0.09	0.11
Occupational Therapy	0.01	0.02	0.02	0.03	0.04
Speech Pathology	0.01	0.01	0.01	0.01	0.01
Medical Social Service	0.01	0.01	0.02	0.03	0.04
Home Health Aide	0.01	0.03	0.04	0.06	0.07
<b>Total Direct Care</b>	<b>0.08</b>	<b>0.19</b>	<b>0.26</b>	<b>0.38</b>	<b>0.47</b>

Table 13c, on the following page, shows the FTEs for the combined counties of Cowlitz and Wahkiakum

**Table 13c**  
**Combined Service Area – Staffing Requirements**

<b>Staff</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Direct Care Staff:					
Skilled Nursing	0.82	1.69	2.57	3.5	4.44
Physical Therapy	0.44	0.92	1.4	1.91	2.42
Occupational Therapy	0.16	0.32	0.48	0.65	0.83
Speech Pathology	0.02	0.03	0.04	0.05	0.06
Medical Social Service	0.15	0.28	0.44	0.6	0.77
Home Health Aide	0.29	0.59	0.9	1.22	1.55
Office Staff	1.30	1.30	1.30	1.30	1.30
Director	1.00	1.00	1.00	1.00	1.00
Medical Director	0.01	0.01	0.01	0.01	0.01
Supervisor	1.00	1.00	1.00	1.00	1.00
<b>Total Staffing</b>	<b>5.19</b>	<b>7.14</b>	<b>9.14</b>	<b>11.24</b>	<b>13.38</b>

As shown above, the establishment of the home health agency requires 5.19 FTEs in the first year of operation, with an increase of approximately 4 FTEs by the end of the third year of operation, year 2009, for a total of 9.14 FTEs.

Assured does not anticipate difficulty in staffing the project, because some current employees have expressed interest in transferring to Cowlitz County. The applicant states, “As an existing home health provider in an adjacent service area, Assured can recruit from among its existing full time and contract staff to fill the 9 full time positions required by the third year of operation”. [Application, p. 70]

Much of the public comment on Assureds proposal involved concern over staffing. CHHH and others have pointed out that Physical, Occupational and Speech Therapy professionals have been difficult to hire and retain. [CHHH Public Hearing Documents, p. 1]

To help address any shortfalls in the available professional staff within the service area, the applicant has included a copy of the agreement with Premier Healthcare Staffing. This agreement states that Premier will use its services to furnish qualified staff on an “as needed, as available basis” to “meet the needs in [Assured’s] new counties, including Cowlitz and Wahkiakum”. Specifically, the agreement cites specialties such as Speech Language Pathologists and Physical and Occupational therapists as examples of the staffing obligation to assure the department of the availability. [Assured’s Public Hearing Rebuttal, Attachment 4]

The applicant also provided a copy of the job description and a copy of the Contract for Services Agreement with Robert D. McElhaney, Jr., the identified medical director. [Application, Appendix 12; Screening Responses, Attachment 2] In addition, per WAC 246-335-

095 (1), Florene Tomei has been identified by the applicant as Director of Clinical Operations and a copy of the written authorization naming Joanna McGeoghegan to act in Mrs. Tomei's absence in accordance with WAC 246-335-095 (3). A review of the Compliance history of these individuals reveals no recorded sanctions. [Compliance history provided by Medical Quality Assurance Commission]

Based on the information reviewed, the department concludes there is reasonable assurance that a sufficient supply of qualified staff is available to support this project. This sub-criterion is met.

- (2) The proposed service(s) will have an appropriate relationship, including organizational relationship, to ancillary and support services, and ancillary and support services will be sufficient to support any health services included in the proposed project.

The applicant anticipates support staff will "perform program supervision, administration and community liaison functions. The home health program will also be supported by central Assured staff for legal, accounting, payroll, billing and other general and administrative functions for legal, accounting, payroll, billing and other general and administrative functions". [Application, p. 73] These costs have been accounted for in the above financial statements.

The department requested identification and appropriate documentation demonstrating agreements for ancillary and support services. In response to this request, the applicant provided an agreement with Premier Healthcare Staffing, the contractor who will provide physical, occupational, and other necessary professionals on a contracted "as needed basis". [Assured's Public Hearing Rebuttal, Attachment 4]

Therefore, based on source information and Assured's current operating practices, the department concludes that Assured will have an appropriate relationship with ancillary and support services to support the proposed home health agency. This sub-criterion is met.

- (3) There is reasonable assurance that the project will be in conformance with applicable state licensing requirements and, if the applicant is or plans to be certified under the Medicaid or Medicare program, with the applicable conditions of participation related to those programs.

Northwest Healthcare Alliance, Inc. dba Assured Home Health, Hospice, Home Care and Medical Staffing operates agencies in 7 counties within Washington State. NWAHA has designated the Lewis County office as the contact agency for all of the home health agencies in Washington State. For licensure purposes, Assured has been granted one provider number, with all the home health agencies listed as branch offices.

During the most recent five years, the Department of Health's Office of Health Care Survey (OHCS), which surveys the Washington State health care facilities, completed two surveys. Both surveys revealed minor compliance issues. NWAHA submitted plans of correction and appropriately implemented the required corrections.

As stated above, a review of the compliance history with the Department of Health's Medical Quality Assurance Commission reveals no recorded sanctions. [Medical Quality Assurance Commission]

Given Assured's compliance history and the compliance history of the proposed personnel, the department concludes that there is reasonable assurance that the project will be in conformance with applicable state licensing requirements and with the applicable conditions of Medicare and Medicaid.

This sub-criterion is met.

- (4) The proposed project will promote continuity in the provision of health care, not result in an unwarranted fragmentation of services, and have an appropriate relationship to the service area's existing health care system.

The provision of home health care is the result of a referral from a medical provider, as such, "Assured will work with physicians, hospitals and residential facilities in Cowlitz County and Wahkiakum County to maintain good provider relations and educate about home health area services". [Application, p. 74]

In order to maintain provider relations, Assured's staff will contact physician offices, meet with office staff, discharge staff and medical social workers in skilled nursing homes and in local hospitals to provide information concerning Assured and the services provided. Home health staff will also collaborate with assisted living facilities and boarding homes to offer and provide home health services to the residents of these facilities in an effort to maintain their independence. [Application, p. 74]

As an existing provider of home health and hospice services in seven counties, Assured has a history of working with appropriate community medical providers to ensure appropriate levels of care. The department concludes that this project would be operated similar to Assured's existing agencies and the residents of Cowlitz and Wahkiakum counties will continue to have access to health care services. Further, Assured's relationships with the existing health care system will continue and not result in an unwarranted fragmentation of services. This sub-criterion is met.

- (5) There is reasonable assurance that the services to be provided through the proposed project will be provided in a manner that ensures safe and adequate care to the public to be served and in accord with applicable federal and state laws, rules, and regulations.

This subsection is addressed above in subsections (2) and (3). The department concludes that there is reasonable assurance that the services to be provided ensures safe and adequate care to the public and that applicable federal and state laws, rules and regulations would be adhered to. This sub-criterion is met.

**D. Cost Containment (WAC 246-310-240)**

Based on the source information reviewed, the department determines that Assured's application meets the cost containment criteria in WAC 246-310-240.

- (1) Superior alternatives, in terms of cost, efficiency, or effectiveness, are not available or practicable.

Assured considered and rejected the following alternatives before submitting this application. [Application, p. 77]

Acquire the existing Home Health Agency:

The applicant did not pursue this alternative as the service area would not have a choice of providers for this service area.

Defer Application

Assured believes that the residents of the service area "deserve a choice of home health providers". Assured believes that this application provides a unique opportunity to extend the services of a qualified provider into a neighboring service area

The applicant rejected both alternatives and concluded that they were either not feasible or unable to meet the needs of the residents of the service area. As a result, Assured submitted this application to allow another choice of provider in the service area of Cowlitz and Wahkiakum Counties. Patient Choice in the absence of a demonstrated need is not a basis for approving a project. In the need section of this analysis, the department concluded there was capacity for another Medicare certified home health agency to serve the residents of Cowlitz and Wahkiakum counties. Based on the information provided in the application and the Department's conclusions on the other review criteria, the Department concludes that this project is the best available alternative for the service area. This sub-criterion is met.